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PONTCHARTRAIN LEVEE DISTRICT, LOUISIANA

FINANCIAL REPORT

JUNE 30, 2001

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Release Date 9-26-01



Postlethwaite & Netterville

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PONTCHARTRAIN LEVEE DISTRICT, LOUISIANA

FINANCIAL REPORT

JUNE 30, 2001

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INDEPENDENT AUDITORS' REPORT

Board of Levee Commissioners of
Pontchartrain Levee District
State of Louisiana
Lutcher, Louisiana

We have audited the accompanying financial statements of the Pontchartrain Levee District, a component unit of the State of Louisiana, as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the Pontchartrain Levee District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pontchartrain Levee District as of June 30, 2001, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 22, 2001 on our consideration of the Pontchartrain Levee District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information listed on pages 18 through 21 is presented for the purposes of additional analysis and is not a required part of the financial statements. The information presented on pages 26 through 44 is not a required part of the financial statements, but is required by the Division of Administration; Office of Statewide Reporting and Accounting Policy. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Postlethwaite & Netterville

Donaldsonville, Louisiana
August 22, 2001

PONTCHARTRAIN LEVEE DISTRICT

Statement A
1 of 2

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 2001

	<u>Governmental Fund Types</u>		<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	
<u>ASSETS</u>					
Cash	\$ 1,670,257	\$ 15,225,770	\$ -	-	\$ 16,896,027
Certificates of deposit	9,205,219	4,189,222	-	-	13,394,441
Receivable, net	51,516	48,598	-	-	100,114
Due from other funds	-	2,001,024	-	-	2,001,024
Inventories, at cost	20,355	-	-	-	20,355
Fixed assets	-	-	2,768,755	-	2,768,755
Amount to be provided for retirement of general long-term obligations	-	-	-	115,899	115,899
TOTAL ASSETS	\$ 10,947,347	\$ 21,464,614	\$ 2,768,755	\$ 115,899	\$ 35,296,615

The accompanying notes are an integral part of this statement.

PONTCHARTRAIN LEVEE DISTRICT

Statement A
2 of 2

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 2001

	Governmental Fund Types		Account Groups		Total (Memorandum Only)
	General	Capital Projects	General Fixed Assets	General Long-Term Debt	
<u>LIABILITIES AND EQUITY</u>					
Liabilities:					
Accounts payable	\$ 93,923	\$ 10,380	\$ -	\$ -	\$ 104,303
Salaries and wages payable	22,827	-	-	-	22,827
Due to other funds	2,001,024	-	-	-	2,001,024
Accrued liabilities	29,374	-	-	-	29,374
Deposits held	5,000	-	-	-	5,000
Other - compensated absences	-	-	-	115,899	115,899
Total liabilities	2,152,148	10,380	-	115,899	2,278,427
Fund Equity:					
Investment in general fixed assets	-	-	2,768,755	-	2,768,755
Fund balance:					
Reserved for inventory	20,355	-	-	-	20,355
Reserved for flood fight/contingencies	50,000	-	-	-	50,000
Reserved for emergencies	25,000	-	-	-	25,000
Unreserved-undesignated	8,699,844	21,454,234	-	-	30,154,078
Total equity	8,795,199	21,454,234	2,768,755	-	33,018,188
TOTAL LIABILITIES AND FUND EQUITY	\$ 10,947,347	\$ 21,464,614	\$ 2,768,755	\$ 115,899	\$ 35,296,615

The accompanying notes are an integral part of this statement.

PONTCHARTRAIN LEVEE DISTRICT

Statement B

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2001**

	<u>General</u>	<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
<u>REVENUES</u>			
Taxes	\$ 3,941,385	\$ -	\$ 3,941,385
Intergovernmental revenues	361,002	-	361,002
Investment income	555,374	1,044,433	1,599,807
Other - sale of equipment/miscellaneous	22,712	-	22,712
Total revenues	<u>4,880,473</u>	<u>1,044,433</u>	<u>5,924,906</u>
<u>EXPENDITURES</u>			
General administrative	1,080,907	-	1,080,907
Employee related benefits	433,349	-	433,349
Travel	34,156	-	34,156
Operating services	292,095	-	292,095
Materials and supplies	125,617	-	125,617
Professional services	69,470	62,162	131,632
Capital outlay	261,811	505,850	767,661
Other charges	129,437	-	129,437
Total expenditures	<u>2,426,842</u>	<u>568,012</u>	<u>2,994,854</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,453,631</u>	<u>476,421</u>	<u>2,930,052</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers in	-	2,000,000	2,000,000
Operating transfers out	(2,000,000)	-	(2,000,000)
Total other financing sources (uses)	<u>(2,000,000)</u>	<u>2,000,000</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER(UNDER) EXPENDITURES AND OTHER USES	<u>453,631</u>	<u>2,476,421</u>	<u>2,930,052</u>
<u>FUND BALANCE</u>			
BEGINNING OF YEAR	<u>8,341,568</u>	<u>18,977,813</u>	<u>27,319,381</u>
 END OF YEAR	<u>\$ 8,795,199</u>	<u>\$ 21,454,234</u>	<u>\$ 30,249,433</u>

The accompanying notes are an integral part of this statement.

PONTCHARTRAIN LEVEE DISTRICT

Statement C

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL- GENERAL FUND
YEAR ENDED JUNE 30, 2001

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<u>REVENUES</u>			
Ad valorem taxes	\$ 3,825,705	\$ 3,927,730	\$ 102,025
State revenue sharing	315,860	333,961	18,101
FEMA revenue	-	27,041	27,041
Interest on delinquent taxes	4,400	13,655	9,255
Sale of equipment	40,600	22,707	(17,893)
Interest earnings	406,100	555,374	149,274
Miscellaneous	2,000	5	(1,995)
	<u>4,594,665</u>	<u>4,880,473</u>	<u>285,808</u>
Total revenues			
<u>EXPENDITURES</u>			
Executive and administrative:			
President's salary	8,400	7,000	1,400
President's expenses	1,200	-	1,200
Commissioners' per diems	21,600	19,125	2,475
Commissioners' mileage	6,000	3,933	2,067
Secretary's salary	7,200	7,300	(100)
Convention and meeting expenses	12,000	17,638	(5,638)
Membership dues	7,500	1,900	5,600
Employees' related benefits:			
Social security	1,800	2,010	(210)
Medicare	450	470	(20)
Subtotal executive and administrative	<u>66,150</u>	<u>59,376</u>	<u>6,774</u>
General administrative:			
Salaries:			
Clerical	55,000	40,289	14,711
Executive director	60,000	60,008	(8)
Project manager	45,000	40,483	4,517
Professional services:			
Legal (attorney)	24,000	24,000	-
Consultant engineer	36,000	21,000	15,000
Consultant/attorneys' expenses	2,200	3,902	(1,702)

The accompanying notes are an integral part of this statement.

PONTCHARTRAIN LEVEE DISTRICT

Statement C

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL- GENERAL FUND
YEAR ENDED JUNE 30, 2001

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<u>EXPENDITURES (CONT'D)</u>			
General administrative (Cont'd)			
Employees' related benefits:			
Medicare	\$ 2,400	\$ 1,825	\$ 575
Retirement contributions	25,500	14,038	11,462
Social security	1,000	310	690
Group insurance	32,700	30,047	2,653
Supplies	8,200	7,085	1,115
Operating services	31,200	23,015	8,185
Insurance consultant	4,000	3,150	850
Rentals	4,600	3,849	751
Computer expenses	6,400	5,428	972
Travel and other charges	10,000	7,590	2,410
Janitorial Services	5,500	4,828	672
Miscellaneous	8,600	3,151	5,449
Acquisitions for office	50,000	360	49,640
Accounting services	8,750	11,730	(2,980)
Civil service fee	4,200	4,591	(391)
Audit expense	8,000	8,000	-
Maintenance of property/equipment	14,300	4,023	10,277
Deductions from ad valorem taxes - pension fund	134,500	124,846	9,654
Subtotal general administrative expenditures	<u>582,050</u>	<u>447,548</u>	<u>134,502</u>
Levee maintenance:			
Salaries:			
Regular	811,200	792,727	18,473
Overtime	10,000	3,149	6,851
Employees' related benefits:			
Retirement	108,000	94,386	13,614
Social security	-	-	-
Medicare	3,000	2,646	354
Group insurance	272,000	248,274	23,726
Operating services	27,600	25,009	2,591
Maintenance and repairs	104,700	88,870	15,830
Materials and supplies	121,000	74,856	46,144
Travel and other charges	1,000	544	456
Equipment and vehicles	410,000	230,546	179,454
Subtotal levee maintenance	<u>1,868,500</u>	<u>1,561,007</u>	<u>307,493</u>

The accompanying notes are an integral part of this statement.

PONTCHARTRAIN LEVEE DISTRICT

Statement C

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL-GENERAL FUND YEAR ENDED JUNE 30, 2001

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<u>EXPENDITURES (CONT'D)</u>			
Levee police:			
Salaries:			
Regular	\$ 120,000	\$ 110,436	\$ 9,564
Overtime	2,000	423	1,577
Employees' related benefits:			
Retirement	15,000	14,371	629
Medicare	500	379	121
Group insurance	23,000	24,594	(1,594)
Materials and supplies	16,600	10,485	6,115
Maintenance - property and equipment	6,500	3,013	3,487
Purchase of equipment	50,500	30,906	19,594
Public official bonds	300	200	100
Travel and other charges	1,000	549	451
Subtotal levee police	<u>235,400</u>	<u>195,356</u>	<u>40,044</u>
Other - insurance	156,000	128,959	27,041
Flood fight contingency fund	50,000	34,596	15,404
Emergencies	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,958,100</u>	<u>2,426,842</u>	<u>531,258</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,636,565	2,453,631	817,066
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(2,500,000)</u>	<u>(2,000,000)</u>	<u>500,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(863,435)	453,631	1,317,066
FUND BALANCE AT BEGINNING OF YEAR	<u>8,341,568</u>	<u>8,341,568</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u><u>\$ 7,478,133</u></u>	<u><u>\$ 8,795,199</u></u>	<u><u>\$ 1,317,066</u></u>

The accompanying notes are an integral part of this statement.

PONTCHARTRAIN LEVEE DISTRICT

NOTES TO FINANCIAL STATEMENTS

INTRODUCTION

The Pontchartrain Levee District was created by Louisiana Revised Statute (LSA-R.S.) 38:291(L). The Levee District includes all or portions of the following parishes: East Baton Rouge, Iberville, Ascension, St. James, St. John the Baptist, and St. Charles. The Levee District primarily provides flood protection for those areas contained in the District. The governing board administers the operations and responsibilities of the Levee District in accordance with provisions of Louisiana statutes. The Board of Commissioners of the Pontchartrain Levee District consists of nine members appointed by the governor.

1. Summary of Significant Accounting Policies

A. Basis of Presentation

In April 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

B. Reporting Entity

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The Levee District is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints the commissioners, and public service is rendered within the state's boundaries. The accompanying statements present information only as to the transactions of the Pontchartrain Levee District, a component unit of the State of Louisiana. Annually, the State of Louisiana issues general purpose financial statements, which include the activity contained in the accompanying financial statements.

C. Fund Accounting

The Levee District used funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

PONTCHARTRAIN LEVEE DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

C. Fund Accounting (continued)

Funds of the Levee District that are presented in the financial statements are classified as governmental funds.

Governmental funds account for the Levee District's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds of the Levee District include:

1. General Fund - the general operating fund of the Levee District and accounts for all financial resources, except those required to be accounted for in other funds.
2. Capital Projects Fund - accounts for financial resources received and used for the acquisition, construction, or improvements of capital facilities not reported in the other governmental funds.

The account groups are not funds. They are concerned only with the measurement of financial position, not with the measurement of results of operations. Account groups are used to establish accounting control and accountability for the District's general fixed assets and general long-term debt.

1. General Fixed Asset Account Group – Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed asset account group, rather than in the governmental funds.
2. General Long-Term Debt Account Group – Compensated absences payable that are expected to be financed from governmental funds is accounted for in the general long-term debt account group.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by the governmental funds. The governmental funds use the following practices in recording revenues and expenditures:

PONTCHARTRAIN LEVEE DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Revenues

Ad valorem taxes and the related state revenue sharing are recorded in the year the taxes are assessed. Ad valorem taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on December 31. The taxes are generally collected in December, January, February, March, and April of the fiscal year.

Interest income on demand deposits, certificates of deposits, and investments are recorded when earned and available.

Rents are recorded in the year earned.

Substantially all other revenues are recorded when received.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for accumulated annual and sick leave, which are recognized when paid.

Other Financing Sources (Uses)

Transfers between funds which are not expected to be repaid are accounted for as other financial sources (uses) and are recognized when they become measurable and available. Amounts received from the sale of fixed assets and insurance settlements are recognized when the funds are received.

E. Budget Practices

The proposed General Fund budget for the fiscal year ended June 30, 2001, was completed and made available for public inspection at the Levee District's main office on February 21, 2000, and formally adopted on that date. The budget, which included proposed expenditures and the means of financing them for the General Fund, was published in the official journal on March 16, 2000. In addition to the budget, the official journal published a solicitation for comments and questions that could be addressed in the public meeting.

All appropriations lapse at year end. The Levee District does not recognize encumbrances. Budget amounts included in the accompanying financial statements include the original adopted budget amounts as amended. The budget practices of the Pontchartrain Levee District are subject to the provisions of LSA-R.S. 38:318.

PONTCHARTRAIN LEVEE DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

F. Cash and Certificates of Deposit

Cash includes petty cash, money market accounts, and cash in the state treasury. Under state law, the Pontchartrain Levee District may deposit funds and invest in Certificates of Deposit within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States.

G. Investments

The Pontchartrain Levee District may also invest in bonds, debentures and other indebtedness which are fully guaranteed by the United States, issued or guaranteed by federal agencies backed by full faith and credit of the United States and issued or guaranteed by United States government instrumentalities which are federally sponsored. Investments are stated at fair value determined by quoted market prices.

Investment income includes interest earned, realized gains and losses and unrealized gains and losses (changes in fair value).

H. Inventories

Inventories of fuel and mower parts are valued at the lower of cost or market and are recorded as expenditures at the time individual inventory items are purchased. The Levee District uses a periodic inventory system and values its inventory using the first-in, first-out (FIFO) valuation method. Reported inventories are equally offset by a fund balance reserve that indicates they do not constitute available spendable resources even though they are components of net current assets.

I. Fixed Assets and General Long-Term Obligations

Fixed assets are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Public domain or infrastructures are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

Long-term obligations expected to be financed from governmental funds are accounted for in the general long-term obligations account group, not in the governmental funds. This includes compensated absences for accumulated unpaid annual leave benefits of General Fund employees.

The two account groups are not funds. They are concerned only with the measurement of financial position, not with measurement of results of operations.

PONTCHARTRAIN LEVEE DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

J. Compensated Absences

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

The cost of current leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the General Fund when the leave is actually taken. The cost of leave privileges not requiring current resources is recorded in the general long-term obligations account group.

K. Postemployment Health Care and Life Insurance Benefits

The Pontchartrain Levee District provides certain continuing health care and life insurance benefits for its retired employees. The Levee District recognized the cost of providing these retiree benefits as an expenditure when paid during the year.

L. Fund Equity - Reserves and Designated Fund Balances

Reserves represent those portions of fund equity not appropriable for expenditures and are legally segregated for a specific future use. Designated fund balances are those portions of fund equity set aside by the Board of Levee Commissioners for specific future use. It should be noted that unreserved fund balance in the General Fund was created for the purpose of gradually accumulating sufficient funds to pay the Pontchartrain Levee District's portion of the cost of the Lake Pontchartrain Hurricane Protection Fund Project. The estimated total cost to the Pontchartrain Levee District for the hurricane protection project over approximately 25 years is \$21,281,520.

M. Total Columns on Statements

The total columns on the statements are captioned Memorandum Only (overview) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

PONTCHARTRAIN LEVEE DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. **Summary of Significant Accounting Policies (continued)**

N. **Use of Estimates**

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumption that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those results.

2. **Cash and Certificates of Deposit**

At June 30, 2001, the Levee District has cash and Certificates of Deposit (book balances) totaling \$30,290,468 as follows:

Petty Cash	\$ 50
Money market accounts in banks	436,982
Regions and Bank One Treasury Money Market Trust Funds	13,255,824
Cash with state treasury	<u>3,203,171</u>
Total cash	<u>16,896,027</u>
Certificates of Deposit	<u>13,394,441</u>
Total cash and certificates of deposit	<u>\$ 30,290,468</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2001, exclusive of the \$3,143,504 on deposit with the state treasury and the \$13,255,824 in the Regions and Bank One Treasury Money Market Trust Funds, the Levee District has \$13,862,131 in deposits (collected bank balances). These deposits are secured from risk by \$900,000 of federal deposit insurance, \$2,909,222 of pledged securities held by the District's agent in the District's name (GASB Category 1), \$4,285,690 of pledged securities held by the financial institution's trust department or agent in the District's name (GASB Category 2), and \$5,767,219 of pledged securities held by the financial institution's agent not in the District's name (GASB Category 3).

Cash and cash equivalents include amounts on deposit with the state treasury totaling \$3,143,504. Securities pledged for cash in the state treasury is not included in the previous computations as these amounts are secured by fiscal agent banks established by the state treasury independent of the Levee District (GASB Category 1).

PONTCHARTRAIN LEVEE DISTRICT

NOTES TO FINANCIAL STATEMENTS

2. **Cash and Certificates of Deposit (continued)**

Also included in cash are the investments in the Regions and Bank One Treasury Money Market Trust Funds with balances of \$651,742 and \$12,604,082, respectively as of June 30, 2001. In accordance with GASB, the investments are not categorized in the three risk categories provided by GASB because the investments are in a pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

3. **Receivables**

The following is a summary of receivables at June 30, 2001:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Ad valorem taxes	\$ 21,910	\$ -	\$ 21,910
FEMA	27,041	-	27,041
Use of money and property – interest earnings	<u>2,565</u>	<u>48,598</u>	<u>51,163</u>
Total	<u>\$ 51,516</u>	<u>\$ 48,598</u>	<u>\$ 100,114</u>

Any immaterial accounts not collected in the subsequent accounting period will be written off to the related revenue accounts.

4. **Changes in General Fixed Assets**

A summary of changes in general fixed assets follows:

	<u>Balance July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2001</u>
Land	\$ 765,082	\$ -	\$ -	\$ 765,082
Buildings	461,004	22,573	-	483,577
Equipment	<u>1,402,957</u>	<u>237,438</u>	<u>(120,299)</u>	<u>1,520,096</u>
Total	<u>\$ 2,629,043</u>	<u>\$ 260,011</u>	<u>(\$120,299)</u>	<u>\$ 2,768,755</u>

Capital outlay expenditures of \$505,850 within the Capital Projects Fund, as disclosed on Statement B, consist of levee project costs (infrastructure) and are not capitalized.

PONTCHARTRAIN LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS

5. Pension Plan

The Pontchartrain Levee District contributes to the Louisiana State Employees Retirement System (LASERS), a single employer defined benefit pension plan. LASERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. LASERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LASERS, 8401 United Plaza Blvd., Baton Rouge, LA 70809 or by calling (225) 922-0600.

Plan members are required to contribute 7.5% of their annual covered salary and Pontchartrain Levee District is required to contribute at an actuarially determined rate. The current rate is 13.0% of annual covered payroll. The contribution requirements of plan members are established by Louisiana Revised Statute 11:61. The contribution requirements of the Pontchartrain Levee District is established under Louisiana Revised Statute 11:101 – 11:104 annually by the Actuarial Forecasting Committee. The Levee District's contributions for the year ending June 30, 2001, 2000 and 1999 were \$122,795, \$122,608 and \$107,009, respectively, equal to the required contributions each year.

6. Postemployment Health Care and Life Insurance Benefits

The Levee District provides certain continuing health care and life insurance benefits for its retired employees. Substantially all the Levee District's employees become eligible for these benefits if they reach normal retirement age while working for the Levee District. These benefits for retirees and similar benefits for active employees are provided through the State Employees Group Benefits Program whose monthly premiums are paid jointly by the employee and the Levee District. The Levee District recognizes the cost of providing these benefits as an expenditure when paid during the year. For the year ended June 30, 2001, the cost of providing benefits for 30 retirees totaled \$119,337.

7. Compensated Absences

At June 30, 2001, employees of the Levee District have accumulated and vested \$115,899 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. This amount is recorded within the general long-term obligations account group.

8. Changes in General Long-Term Obligations

The following is a summary of the long-term obligation transactions for the year ended June 30, 2001:

	Long-Term Obligations Payable at <u>July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	Long-Term Obligations Payable at <u>June 30, 2001</u>
Compensated absences	\$ <u>117,274</u>	\$ <u>-</u>	\$ <u>1,375</u>	\$ <u>115,899</u>

PONTCHARTRAIN LEVEE DISTRICT

NOTES TO FINANCIAL STATEMENTS

9. Litigation and Claims

The Levee District is a defendant or co-defendant in several lawsuits. In the opinion of legal counsel for the Levee District, resolution of the cases involving negligence will not result in judgments against the Levee District in excess of amounts currently covered by insurance. Furthermore, the anticipated outcome of suits claiming compensation for property taken by the Levee District will be resolved either in the favor of the Levee District or will not involve amounts which are considered material to the financial statements.

10. Intergovernmental Revenues

The following is a summary of intergovernmental revenues at June 30, 2001:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
State revenue sharing	\$ 333,961	\$ -	\$ 333,961
FEMA	<u>27,041</u>	<u>-</u>	<u>27,041</u>
Total	<u>\$ 361,002</u>	<u>\$ -</u>	<u>\$ 361,002</u>

11. Purchase Commitments

As of June 30, 2001, the District had outstanding purchase orders for eight tractors with a total cost of \$239,620. Subsequent to June 30, 2001, six of the tractors were received and paid for. The District is awaiting the arrival of the remaining two tractors. Payment will be made once these tractors are received.

12. Construction Commitments

Lake Pontchartrain and Vicinity Hurricane Protection Project

The federal government has agreed to finance 70 percent of the cost of the Lake Pontchartrain and Vicinity Hurricane Protection Project, and the Pontchartrain Levee District will pay the remaining 30 percent of the cost. This agreement is in accordance with the Flood Control Act of 1965 as modified by the Water Resources Development Act of 1974. Local non-federal sources are required to pay at least 30 percent of the total project costs for the St. Charles portion of the Lake Pontchartrain and Vicinity Hurricane Protection Project.

The local and non-federal portion of the project is estimated to be \$21,281,520. The Pontchartrain Levee District has entered into an agreement with St. Charles Parish whereby the Pontchartrain Levee District will pay 80 percent of the non-federal portion of project costs, and St. Charles Parish will provide the remaining 20 percent.

PONTCHARTRAIN LEVEE DISTRICT

NOTES TO FINANCIAL STATEMENTS

12. Construction Commitments (continued)

St. Charles Parish's 20 percent commitment will be paid in 25 annual installments due and payable before the 15th day of June of each year, commencing on June 15, 1991. Due to the decrease in the estimated project cost, St. Charles Parish was not billed for the required annual installment. Therefore, no funds were received from St. Charles Parish in 2001 for its portion of the non-federal portion of the project.

Section 9 of Act 45 of the 1994 Capital Outlay Appropriations provided that all of the funds appropriated for ports and levee districts shall be administered under cooperative endeavor agreements. On February 9, 1996, the Pontchartrain Levee District entered into a cooperative endeavor agreement with the Louisiana Department of Transportation and Development (DOTD). These funds were used to provide the required local match for the cost of the Lake Pontchartrain and Vicinity Hurricane Protection Project. From inception through June 30, 2001, the Pontchartrain Levee District's total accumulated expenditures for this project were \$16,051,486.

The total estimated remaining cost to be incurred by the Pontchartrain Levee District is \$5,230,034. These project costs are estimates and the amounts could change by material amounts within the next year.

West Shore Feasibility Study

The Pontchartrain Levee District has entered into an agreement with the U.S. Corps of Engineers whereby the Corps will conduct a "Feasibility Phase Study" to assess the extent of Federal interest in participating in a solution to the problem of hurricane protection and flood control in St. John the Baptist Parish. The Water Resources Act of 1996 requires local non-federal funding of 50% of the study cost.

The local non-federal portion of the study is estimated to be \$1,305,000. The Pontchartrain Levee District has entered into an agreement with St. John the Baptist Parish whereby the Pontchartrain Levee District will pay 77.5% of the non-federal portion of the study cost, and St. John the Baptist Parish will provide the remaining 22.5%.

The Pontchartrain Levee District has received no funding from St. John the Baptist Parish for the year ended June 30, 2001. The estimated remaining amount to be received from St. John the Baptist Parish is \$150,075.

From inception through June 30, 2001, the Pontchartrain Levee District's total accumulated expenditures for this project were \$650,000. The estimated remaining cost to be incurred by the Pontchartrain Levee District is \$655,000.

These study costs are estimates and the amounts could change by material amounts within the next year.

13. Levee District Taxes

Article 6, Section 39 of the 1974 Louisiana Constitution provides that for the purpose of constructing and maintaining levees, levee drainage, flood protection, hurricane flood protection, and for all other purposes incidental thereto, the Levee District may levy annually a tax not to exceed five mills. If the Levee District needs to raise additional funds in excess of the amount collected constitutionally, the taxes in excess of five mills must be approved by a majority vote of the electors. The Levee District has levied a tax of 3.74 mills.

SUPPLEMENTAL INFORMATION

PONTCHARTRAIN LEVEE DISTRICT

Lutcher, Louisiana

CAPITAL PROJECTS FUNDS

JUNE 30, 2001

Capital Projects Funds account for financial resources received and used for the acquisition, construction, or improvements of capital facilities not reported in the other governmental funds.

Special Construction Fund - This fund is used to account for the District's expenditures associated with the Lake Pontchartrain and Vicinity Hurricane Protection Project.

West Shore Feasibility Study Fund – This fund is used to account for the District's expenditures associated with the West Shore Feasibility Study.

PONTCHARTRAIN LEVEE DISTRICT

COMBINING BALANCE SHEET - ALL CAPITAL PROJECTS FUNDS

JUNE 30, 2001

	Special Construction Fund	West Shore Feasibility Study Fund	Total
<u>ASSETS</u>			
Cash	\$ 14,574,028	\$ 651,742	\$ 15,225,770
Certificates of Deposit	4,189,222	-	4,189,222
Receivable, net	46,717	1,881	48,598
Due from other funds	2,001,024	-	2,001,024
TOTAL ASSETS	<u>\$ 20,810,991</u>	<u>\$ 653,623</u>	<u>\$ 21,464,614</u>
<u>LIABILITIES AND EQUITY</u>			
Liabilities:			
Accounts payable	\$ 10,130	\$ 250	\$ 10,380
Total liabilities	<u>10,130</u>	<u>250</u>	<u>10,380</u>
Fund balance			
Unreserved-undesignated	20,800,861	653,373	21,454,234
Total equity	<u>20,800,861</u>	<u>653,373</u>	<u>21,454,234</u>
TOTAL LIABILITES AND FUND EQUITY	<u>\$ 20,810,991</u>	<u>\$ 653,623</u>	<u>\$ 21,464,614</u>

PONTCHARTRAIN LEVEE DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - ALL CAPITAL PROJECTS FUNDS
JUNE 30, 2001**

	Special Construction Fund	West Shore Feasibility Study Fund	Total
<u>REVENUES</u>			
Intergovernmental revenue	\$ -	\$ -	\$ -
Investment income	990,222	54,211	1,044,433
Total revenues	990,222	54,211	1,044,433
<u>EXPENDITURES</u>			
Capital outlay	5,100	500,750	505,850
Professional services	62,162	-	62,162
Total expenditures	67,262	500,750	568,012
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	922,960	(446,539)	476,421
<u>OTHER FINANCING SOURCES</u>			
Operating transfers in	2,000,000	-	2,000,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	2,922,960	(446,539)	2,476,421
<u>FUND BALANCE</u>			
BEGINNING OF YEAR	17,877,901	1,099,912	18,977,813
END OF YEAR	\$ 20,800,861	\$ 653,373	\$ 21,454,234

PONTCHARTRAIN LEVEE DISTRICT

SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS

For the Year Ended June 30, 2001

PER DIEM PAID BOARD MEMBERS

The schedule of per diem paid to the board members of the Pontchartrain Levee District is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Per diem payments are authorized by Louisiana Revised Statute 38:308 and are included in the general administrative expenditures of the General Fund. Board members are paid \$75 per meeting for up to 36 meetings each year. The board president is paid \$1,000 per month. Prior to his retirement in December, the board president, Mr. Aubrey J. LaPlace, had elected to forgo receipt of payment for his services since the year ended June 30, 1996.

	<u>Year Ended</u> <u>June 30, 2001</u>
Henry Baptiste	\$ 2,325
Jesse Bartley	2,700
LeVerne Brown	2,475
Joseph Gautreau, President	8,125
Kernell Goudia	2,625
Webb Harelson	675
David Laborde	2,700
Herbert Thurber	2,700
Steve Wilson	<u>1,800</u>
Total	\$ 26,125

OTHER REPORTS REQUIRED

BY

CERTIFIED PUBLIC ACCOUNTANTS



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Levee Commissioners of
Pontchartrain Levee District
State of Louisiana
Lutcher, Louisiana

We have audited the financial statements of Pontchartrain Levee District, a component unit of the State of Louisiana, as of and for the year ended June 30, 2001, and have issued our report thereon dated August 22, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Pontchartrain Levee District's, a component unit of the State of Louisiana, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pontchartrain Levee District's, a component unit of the State of Louisiana, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item B-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Pastthwaite & Nettwill

Donaldsonville, Louisiana
August 22, 2001

PONTCHARTRAIN LEVEE DISTRICT

Lutcher, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2001

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expressed an unqualified opinion of the financial statements of the Pontchartrain Levee District.
2. One reportable condition relating to the audit of the financial statements is reported at B-1 in this schedule. This condition is not a material weakness.
3. No instances of noncompliance material to the financial statements of the Pontchartrain Levee District were disclosed during the audit.

B. REPORTABLE CONDITION

1. Lack of Segregation of Duties

Condition: The performance of accounting procedures is limited to two people.

Criteria: Internal controls should be in place that provide reasonable assurance that financial transactions are properly recorded and accounted for. Segregation of duties is an integral part of internal controls.

Effect: There is insufficient segregation of duties to have effective internal control.

Recommendation: No action is recommended.

Response: We concur in the finding and recommendation. Compensating controls exist in that the Board reviews all invoices before they are paid and the majority of revenue is received directly by the State Treasury. Additionally, it would not be cost-effective to increase the size of the staff to achieve effective segregation of duties.

PONTCHARTRAIN LEVEE DISTRICT
Lutcher, Louisiana

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2001

A. INTERNAL CONTROL AND COMPLIANCE

1. This District had no findings in the prior year.

DIVISION OF ADMINISTRATION:

OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY

PONTCHARTRAIN LEVEE DISTRICT

Statement A
1 of 2

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 2001

	<u>Governmental Fund Types</u>		<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	
<u>ASSETS</u>					
Cash	\$ 1,670,257	\$ 15,225,770	\$ -	\$ -	\$ 16,896,027
Investments	9,205,219	4,189,222	-	-	13,394,441
Receivable, net	51,516	48,598	-	-	100,114
Due from other funds	-	2,001,024	-	-	2,001,024
Inventories, at cost	20,355	-	-	-	20,355
Fixed assets	-	-	2,768,755	-	2,768,755
Amount to be provided for retirement of general long-term obligations	-	-	-	115,899	115,899
TOTAL ASSETS	\$ 10,947,347	\$ 21,464,614	\$ 2,768,755	\$ 115,899	\$ 35,296,615

PONTCHARTRAIN LEVEE DISTRICT

Statement A
2 of 2

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 2001

	Governmental Fund Types		Account Groups		Total (Memorandum Only)
	General	Capital Projects	General Fixed Assets	General Long-Term Debt	
<u>LIABILITIES AND EQUITY</u>					
Liabilities:					
Accounts payable and accruals	\$ 146,124	\$ 10,380	\$ -	\$ -	\$ 156,504
Due to other funds	2,001,024	-	-	-	2,001,024
Deposits held	5,000	-	-	-	5,000
Other - compensated absences	-	-	-	115,899	115,899
Total liabilities	2,152,148	10,380	-	115,899	2,278,427
Fund Equity:					
Investment in general fixed assets	-	-	2,768,755	-	2,768,755
Fund balance:					
Reserved for inventory	20,355	-	-	-	20,355
Reserved for flood fight/contingencies	50,000	-	-	-	50,000
Reserved for emergencies	25,000	-	-	-	25,000
Unreserved-undesignated	8,699,844	21,454,234	-	-	30,154,078
Total equity	8,795,199	21,454,234	2,768,755	-	33,018,188
TOTAL LIABILITIES AND FUND EQUITY	\$ 10,947,347	\$ 21,464,614	\$ 2,768,755	\$ 115,899	\$ 35,296,615

PONTCHARTRAIN LEVEE DISTRICT

Statement B

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES YEAR ENDED JUNE 30, 2001

	<u>General</u>	<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
<u>REVENUES</u>			
Taxes	\$ 3,941,385	\$ -	\$ 3,941,385
Intergovernmental revenues	361,002	-	361,002
Investment Income	555,374	1,044,433	1,599,807
Other - Sale of Equipment/Miscellaneous	22,712	-	22,712
Total revenues	<u>4,880,473</u>	<u>1,044,433</u>	<u>5,924,906</u>
<u>EXPENDITURES</u>			
General administrative	1,080,907	-	1,080,907
Employee related benefits	433,349	-	433,349
Travel	34,156	-	34,156
Operating services	292,095	-	292,095
Materials and supplies	125,617	-	125,617
Professional services	69,470	62,162	131,632
Capital outlay	261,811	505,850	767,661
Other charges	129,437	-	129,437
Total expenditures	<u>2,426,842</u>	<u>568,012</u>	<u>2,994,854</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,453,631</u>	<u>476,421</u>	<u>2,930,052</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers in	-	2,000,000	2,000,000
Operating transfers out	(2,000,000)	-	(2,000,000)
Total other financing sources (uses)	<u>(2,000,000)</u>	<u>2,000,000</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER(UNDER) EXPENDITURES AND OTHER USES	453,631	2,476,421	2,930,052
<u>FUND BALANCE</u>			
BEGINNING OF YEAR	<u>8,341,568</u>	<u>18,977,813</u>	<u>27,319,381</u>
END OF YEAR	<u>\$ 8,795,199</u>	<u>\$ 21,454,234</u>	<u>\$ 30,249,433</u>

PONTCHARTRAIN LEVEE DISTRICT

Statement C

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL- GENERAL FUND
YEAR ENDED JUNE 30, 2001

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<u>REVENUES</u>			
Ad valorem taxes	\$ 3,825,705	\$ 3,927,730	\$ 102,025
State revenue sharing	315,860	333,961	18,101
FEMA revenue	-	27,041	27,041
Interest on delinquent taxes	4,400	13,655	9,255
Sale of equipment	40,600	22,707	(17,893)
Interest earnings	406,100	555,374	149,274
Miscellaneous	2,000	5	(1,995)
Total revenues	<u>4,594,665</u>	<u>4,880,473</u>	<u>285,808</u>
<u>EXPENDITURES</u>			
Executive and administrative:			
President's salary	8,400	7,000	1,400
President's expenses	1,200	-	1,200
Commissioners' per diems	21,600	19,125	2,475
Commissioners' mileage	6,000	3,933	2,067
Secretary's salary	7,200	7,300	(100)
Convention and meeting expenses	12,000	17,638	(5,638)
Membership dues	7,500	1,900	5,600
Employees' related benefits:			
Social security	1,800	2,010	(210)
Medicare	450	470	(20)
Subtotal executive and administrative	<u>66,150</u>	<u>59,376</u>	<u>6,774</u>
General administrative:			
Salaries:			
Clerical	55,000	40,289	14,711
Executive director	60,000	60,008	(8)
Project manager	45,000	40,483	4,517
Professional services:			
Legal (attorney)	24,000	24,000	-
Consultant engineer	36,000	21,000	15,000
Consultant/attorneys' expenses	2,200	3,902	(1,702)

PONTCHARTRAIN LEVEE DISTRICT

Statement C

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL- GENERAL FUND
YEAR ENDED JUNE 30, 2001

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<u>EXPENDITURES (CONT'D)</u>			
General administrative (Cont'd)			
Employees' related benefits:			
Medicare	\$ 2,400	\$ 1,825	\$ 575
Retirement contributions	25,500	14,038	11,462
Social security	1,000	310	690
Group insurance	32,700	30,047	2,653
Supplies	8,200	7,085	1,115
Operating services	31,200	23,015	8,185
Insurance consultant	4,000	3,150	850
Rentals	4,600	3,849	751
Computer expenses	6,400	5,428	972
Travel and other charges	10,000	7,590	2,410
Janitorial Services	5,500	4,828	672
Miscellaneous	8,600	3,151	5,449
Acquisitions for office	50,000	360	49,640
Accounting services	8,750	11,730	(2,980)
Civil service fee	4,200	4,591	(391)
Audit expense	8,000	8,000	-
Maintenance of property/equipment	14,300	4,023	10,277
Deductions from ad valorem taxes - pension fund	134,500	124,846	9,654
Subtotal general administrative expenditures	<u>582,050</u>	<u>447,548</u>	<u>134,502</u>
Levee maintenance:			
Salaries:			
Regular	811,200	792,727	18,473
Overtime	10,000	3,149	6,851
Employees' related benefits:			
Retirement	108,000	94,386	13,614
Social security	-	-	-
Medicare	3,000	2,646	354
Group insurance	272,000	248,274	23,726
Operating services	27,600	25,009	2,591
Maintenance and repairs	104,700	88,870	15,830
Materials and supplies	121,000	74,856	46,144
Travel and other charges	1,000	544	456
Equipment and vehicles	410,000	230,546	179,454
Subtotal levee maintenance	<u>1,868,500</u>	<u>1,561,007</u>	<u>307,493</u>

PONTCHARTRAIN LEVEE DISTRICT

Statement C

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL-GENERAL FUND YEAR ENDED JUNE 30, 2001

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<u>EXPENDITURES (CONT'D)</u>			
Levee police:			
Salaries:			
Regular	\$ 120,000	\$ 110,436	\$ 9,564
Overtime	2,000	423	1,577
Employees' related benefits:			
Retirement	15,000	14,371	629
Medicare	500	379	121
Group insurance	23,000	24,594	(1,594)
Materials and supplies	16,600	10,485	6,115
Maintenance - property and equipment	6,500	3,013	3,487
Purchase of equipment	50,500	30,906	19,594
Public official bonds	300	200	100
Travel and other charges	1,000	549	451
Subtotal levee police	<u>235,400</u>	<u>195,356</u>	<u>40,044</u>
Other - insurance	156,000	128,959	27,041
Flood fight contingency fund	50,000	34,596	15,404
Emergencies	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,958,100</u>	<u>2,426,842</u>	<u>531,258</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,636,565	2,453,631	817,066
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(2,500,000)</u>	<u>(2,000,000)</u>	<u>500,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(863,435)	453,631	1,317,066
FUND BALANCE AT BEGINNING OF YEAR	<u>8,341,568</u>	<u>8,341,568</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 7,478,133</u>	<u>\$ 8,795,199</u>	<u>\$ 1,317,066</u>

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2001

INTRODUCTION

The Pontchartrain Levee District was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute (LSA-R.S.) 38:291(L). The following is a brief description of the operations of the Pontchartrain Levee District, which includes the parish/parishes in which the District is located:

The Levee District includes all or portions of the following parishes: East Baton Rouge, Iberville, Ascension, St. James, St. John the Baptist, and St. Charles. The Levee District primarily provides flood protection for those areas contained in the District.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

2. Reporting Entity

GASB Codification Section 2100 establishes criteria for determining the governmental reporting entity and has defined the governmental reporting entity of the Commission/District to be the State of Louisiana because the state exercises oversight responsibility in that the governor appoints the commissioners, and public service is rendered within the state's boundaries. The accompanying statement presents only transactions of the Pontchartrain Levee District, a component unit of the State of Louisiana. Annually the State of Louisiana issues a general purpose financial report which includes the activity contained in the accompanying financial statements. The general purpose financial report is issued by the Louisiana Division of Administration-Office of Statewide Reporting and Accounting Policy and audited by the Louisiana Legislative Auditor.

3. Fund Accounting

The accounts of the Commission/District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Revenues are accounted for in these individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The funds presented in the accompanying financial statements are described as follows:

General Fund

The General Fund is the general operating fund of the Pontchartrain Levee District. It is used to account for all financial resources except those required to be accounted for in another fund.

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2001

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition, construction, or improvements of major capital facilities other than those not reported in other funds.

Account Groups

The two account groups are not "funds". They are concerned only with the measurement of financial position, not with measurement of results of operations. Account groups are used to establish accounting control and accountability for general fixed assets and general long-term debt.

a. General Fixed Asset Account Group - Fixed assets used in the governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in the governmental funds.

b. General Long-Term Debt Account Group - Obligations such as compensated absences payable expected to be financed from governmental funds are accounted for in the general long-term debt account group, not in the governmental funds.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures, or expenses as appropriate, are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The records are maintained on the modified accrual basis of accounting utilizing the following practices in recording revenues and expenditures:

Revenues – Ad valorem taxes and the related state revenue sharing are recorded in the year the taxes are assessed. Ad valorem taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on December 31. The taxes are generally collected in December, January, February, March, and April of the fiscal year.
Interest income on demand deposits, certificates of deposits, and investments are recorded when earned and available.
Rents are recorded in the year earned.
Substantially all other revenues are recorded when received.

Expenditures – Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for accumulated annual and sick leave, which are recognized when paid.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds and Capital Projects Funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

6. Total Columns on Combined Statements

Total columns on the combined statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2001

B. BUDGETARY PRACTICES

The Pontchartrain Levee District utilizes the following budgetary practices:

The District prepares its budget in accordance with Louisiana Revised Statute LSA-R.S. 38:318. The budget is prepared on a modified accrual basis for the General Fund. The budget for the fiscal year ended June 30, 2001 was adopted on February 21, 2000, and there were no amendments. Formal budget integration is employed as a management control device during the year for the General Fund. All appropriations lapse at year-end, and encumbrances are not recognized by the District.

There were no actual expenditures over adopted budgeted expenditures for the year ended June 30, 2001.

C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

1. DEPOSITS WITH FINANCIAL INSTITUTIONS

For reporting purposes, deposits with financial institutions include demand deposits, time deposits, and certificates of deposit. Under state law the Pontchartrain Levee District may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the District may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the State Treasurer. The deposits at June 30, 2001, were secured as follows:

	Deposits in Bank Accounts		<u>Total</u>
	<u>Cash</u>	<u>Certificates of Deposit</u>	
Deposits in Bank Accounts per Balance Sheet	<u>\$ 467,690</u>	<u>\$13,394,441</u>	<u>\$13,862,131</u>
Bank Balances:			
a. Insured (FDIC) or collateralized with securities held by the entity or its agent <u>in the entity's name</u>	<u>100,000</u>	<u>3,709,222</u>	<u>3,809,222</u>
b. Collateralized with securities held by pledging financial institution's trust department or agent <u>in the entity's name</u>	<u>367,690</u>	<u>3,918,000</u>	<u>4,285,690</u>
c. Uncollateralized, including any securities held for the entity but <u>not in the entity's name</u>	<u>0</u>	<u>5,767,219</u>	<u>5,767,219</u>
Total Bank Balances	<u>\$ 467,690</u>	<u>\$13,394,441</u>	<u>\$13,862,131</u>

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2001

The following is a breakdown by banking institution, program, account number, and amount of the balances shown above:

	<u>Banking Institution</u>	<u>Program</u>	<u>Amount</u>
1.	<u>Regions Bank</u>	<u>General Fund</u>	<u>\$3,680,199</u>
2.	<u>Regions Bank</u>	<u>Capital Projects Fund</u>	<u>\$674,783</u>
3.	<u>Regions Bank – Trust Account</u>	<u>Capital Projects Fund</u>	<u>\$651,742</u>
4.	<u>Bank of West Baton Rouge</u>	<u>Capital Projects Fund</u>	<u>\$898,000</u>
5.	<u>Union Planters Bank</u>	<u>Capital Projects Fund</u>	<u>\$1,000,000</u>
6.	<u>Iberville Building & Loan</u>	<u>General Fund</u>	<u>\$100,000</u>
7.	<u>Amsouth Bank</u>	<u>General Fund</u>	<u>\$2,300,000</u>
8.	<u>Amsouth Bank</u>	<u>Capital Projects Fund</u>	<u>\$709,222</u>
9.	<u>Whitney</u>	<u>General Fund</u>	<u>\$750,000</u>
10.	<u>Bank One - Trust Account</u>	<u>Capital Projects Fund</u>	<u>\$12,604,082</u>
11.	<u>Hibernia National Bank</u>	<u>General Fund</u>	<u>\$2,000,000</u>
12.	<u>Hibernia National Bank</u>	<u>Capital Projects Fund</u>	<u>\$1,000,000</u>
13.	<u>United Community Bank</u>	<u>General Fund</u>	<u>\$100,000</u>
14.	<u>Iberville Trust and Savings Bank</u>	<u>General Fund</u>	<u>\$619,219</u>

Were uncollateralized securities fitting the description in (c) above during the year significantly greater than at June 30, 2001? NO.

Cash in State Treasury and petty cash are not required to be reported in the note disclosure. However, to aid in reconciling amounts reported on the balance sheet to amounts reported in this note, list below any cash in treasury and petty cash that are included in the balance sheet.

Cash in State Treasury	\$	<u>3,203,171</u>
Petty Cash	\$	<u>50</u>

Also included in cash are the investments in the Regions and Bank One Treasury Money Market Trust Funds with balances of \$651,742 and \$12,604,023, respectively, as of June 30, 2001. In accordance with GASB, the investments are not categorized in three risk categories provided by GASB because the investments are in a pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

Treasury Money Market Trust Funds \$13,255,824

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2001

2. INVESTMENTS

The District has no investments as of June 30, 2001.

D. RECEIVABLES

At June 30, 2001, the District had net receivable balances, totaling \$, as follows:

Class of Receivable	Governmental Funds				Proprietary	Total
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	
Grants:						
State	\$	\$	\$	\$	\$	\$
Federal	27,041					27,041
Ad valorem taxes	21,910					21,910
Rents, leases, and other						
Interest receivable	2,565			48,598		51,163
Total receivables, net	\$ 51,516	\$	\$	\$ 48,598	\$	\$ 100,114

E. DUE TO/DUE FROM AND TRANSFERS

1. List by fund type the amounts due from other funds detailed by individual fund at your fiscal year end:

Type of Fund	Name of Fund	Amount
Capital Projects Fund	Special Construction Fund	\$ 2,001,024
Total due from other funds		\$ 2,001,024

2. List by fund type the amounts due to other funds detailed by individual fund at fiscal year end:

Type of Fund	Name of Fund	Amount
General Fund	General Fund	\$ 2,001,024
Total due to other funds		\$ 2,001,024

3. List by fund type all transfers from other funds for the fiscal year:

Type of Fund	Name of Fund	Amount
Capital Projects Fund	Special Construction Fund	\$ 2,000,000
Total transfers from other funds		\$ 2,000,000

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2001

4. List by fund all transfers to other funds for the fiscal year:

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
General Fund	General Fund	\$ 2,000,000
Total transfers to other funds		\$ 2,000,000

F. GENERAL FIXED ASSETS

Fixed assets used in the governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain or infrastructure are not (are) capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost or estimated historical cost. (If historical cost is not available, describe alternate method of valuation and disclose the extent which fixed assets have been estimated.)

A summary of changes in general fixed assets follows:

	<u>Beginning Balance at 7/1/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance at 6/30/01</u>
Land	\$ 765,082	\$ -	\$ -	\$ 765,082
Buildings	461,004	22,573	-	483,577
Equipment	1,402,957	237,438	(120,299)	1,520,096
Construction in progress				
Total	\$ 2,629,043	\$ 260,011	(\$ 120,299)	\$ 2,768,755

(NOTE: Per Office of Statewide Reporting and Accounting Policy (OSRAP) policy, infrastructure should be disclosed in the notes but not reflected on the financial statement.)

G. INVENTORIES

Governmental fund inventories of the District are recorded at the lower or cost or market and recognized as an expenditure when purchased. Inventories at year-end are equally offset by a reservation of fund balance.

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2001

H. PAYABLES

At June 30, 2001, the District had payables totaling \$161,504, as follows:

Class of Payable	Governmental Funds				Proprietary	Total
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	
Accounts payable	\$ 93,923	\$	\$	\$ 10,380	\$	\$ 104,303
Taxes payable						
Salaries payable	22,827					22,827
Payroll deductions payable	29,374					29,374
Other payables (identify):						
Deposits held	5,000					5,000
Total payables	\$ 151,124	\$	\$	\$ 10,380	\$	\$ 161,504

I. LEAVE

1. COMPENSATED ABSENCES

The Pontchartrain Levee District has the following policy on annual and sick leave:

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the General Fund when leave is actually taken; it is recognized in the enterprise funds when the leave is earned. The cost of leave privileges applicable to general government operations not requiring current resources is recorded in the general long-term obligations account group.

J. RETIREMENT SYSTEM

Substantially all of the employees of the District are members of the La State Employees Retirement System (System), a cost sharing multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time Commission/District employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service.

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2001

Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000.

Members are required by state statute to contribute 7.5% of gross salary, and the Commission/District is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal year ended June 30, 2001, increased to 13.0% of annual covered payroll from the 12.3% and 13% required in fiscal years ended June 30, 2000 and 1999, respectively. The District's contributions to the System for the years ending June 30, 2001, 2000, and 1999, were \$122,795, \$122,608, and \$107,009, respectively, equal to the required contributions for each year.

K. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

GASB 12 requires the following disclosures about an employer's accounting for post retirement health care and life insurance benefits:

1. A description of the benefits provided and the employee group covered.
2. A description of the accounting and funding policies followed for those benefits.
3. The cost of those benefits recognized for the period, unless the costs are not readily determinable.**
4. The effect of significant matters affecting the comparability of the costs recognized for all periods presented.

**If the cost of any post retirement health care or life insurance benefits cannot readily be separated from the cost of providing such benefits for active employees or otherwise be reasonably approximated, the total cost of providing those benefits to active employees and retirees, as well as the number of active employees and the number of retirees covered by the plan must be disclosed.

The Pontchartrain Levee District provides certain continuing health care and life insurance benefits for its retired employees. Substantially all District employees become eligible for these benefits if they reach normal retirement age while working for the District. Those benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid jointly by the employee and by the District. The District's cost of providing retiree health care and life insurance benefits are recognized as expenditures when the monthly premiums are paid. For the year ended June 30, 2001 the costs of providing benefits for 309 retirees totaled \$119,337.

L. GENERAL LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for June 30, 2001:

Long term obligations payable at June 30, 2000	\$ 117,274
Additions	
Retirements	1,375
Long term obligations payable at June 30, 2001	\$ 115,899

The long-term obligations at June 30, 2001 include compensated absences.

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2001

M. LITIGATION

1. The Pontchartrain Levee District is a defendant in litigation seeking damages as follows:

<u>Date of Action</u>	<u>Description of Litigation</u>	<u>Primary Attorney</u>	<u>Damages Claimed</u>	<u>Insurance Coverage</u>
12/23/00	4-Wheeler Accident on Levee	Mark Hanna	Personal Injury	\$ Covered
6/30/01	Clear title of real estate	Ryland Percy	Title of property	N/A
6/30/01	Expropriation lawsuits	Ryland Percy	Property value	N/A
				\$

The District's legal advisor estimates that potential claims not covered by insurance would not materially affect the financial statements.

N. FUND BALANCE/RETAINED EARNINGS DISCLOSURES

The following is a breakdown of reserves and designations. Reservations of fund balance/retained earnings represent amounts either legally restricted to a specific future use or not available for appropriation or expenditures. Designations represent tentative management plans.

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Fiduciary</u>
Reserve for:						
Inventory	\$ 20,355	\$	\$	\$	\$	\$
Flood/fight contingencies	50,000					
Emergencies	25,000					
Total Reservations	\$ 95,355	\$	\$	\$	\$	\$
Designated for:						
	\$	\$	\$	\$	\$	\$
Total Designations	\$	\$	\$	\$	\$	\$

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
For the Year Ended June 30, 2001

<u>Name</u>	<u>Amount</u>
Henry Baptiste	\$ 2,325
Jessee Bartley	2,700
LeVerne Brown	2,475
Joseph Gautreau, President	8,125
Kernell Goudia	2,625
Webb Harelson	675
David Laborde	2,700
Herbert Thurber	2,700
Steve Wilson	<u>1,800</u>
	<u>\$ 26,125</u>

SCHEDULE 1

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
SCHEDULE OF STATE FUNDING
For the Year Ended June 30, 2000

<u>Description of Funding</u>	<u>Amount</u>
1. <u>State Revenue Sharing</u>	\$ <u>333,961</u>
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____
6. _____	_____
7. _____	_____
8. _____	_____
9. _____	_____
10. _____	_____
Total	\$ <u>333,961</u>

SCHEDULE 2

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
SCHEDULE OF EXPENDITURES BY OBJECT
For the Year Ended June 30, 2000

	<u>Amount</u>
Personal services	\$1,514,256
Travel	34,156
Operating services	292,095
Supplies	125,617
Professional services	131,632
Other charges	129,437
Capital outlay	767,661
Interagency transfer	2,000,000
Debt service	<u>-</u>
Total	<u>\$ 4,994,854</u>

SCHEDULE 3